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ABSTRACT

This assessment of the possible impact of the cable television industry upon public television relies primarily on audience demographic characteristics as a convenient summary indicator and, in many instances, the only kind of evidence available for review. Primary sources of information used were the national Nielsen ratings; mail surveys of American homes conducted by the Electronic Media Tracking Service (EMTS); and a national mail survey of 2,375 homes conducted by the Benton and Bowles advertising agency. Standard industry sources such as CABLEFILE/83, the trade press, and various other audience studies were used to supplement the major sources. Following an introduction, the report includes the following sections: (1) Cable Television (Dimensions of the Cable Industry and Description of Cable Subscribers); (2) Cable Television's Impact on Television Viewing (including Share of Viewing, Number of Channels Viewed, and What Is Viewed on Public Television); (3) Viewing and Evaluation of Cable Programming Services (Types of Cable Programming Services and Pay Cable Services); (4) How Will Cable Program Services Survive? (Premium and Non-Premium Channels, and the Failure of CBS Cable and The Entertainment Channel); (5) Public Television's Survival in a Cabled Nation (including Cable Television's Negative Impact on Public Television); and (6) A Brief Summary and Some Suggestions (Exploiting the Strengths of Public Television, Rejectors of the New Technologies, and Keeping the Mandate Broad). Appendices include public television demographics and a table of satellite-fed basic cable services that accept advertising. (THC)

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# The Impact of the Cable Television Industry on Public Television

by

David J. LeRoy, Ph.D. and
Judith M. LeRoy, Ph.D.

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# The Impact of the Cable Television Industry on Public Television

by

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Pacific Mountain Network's
Television Ratings Analysis Consortium

This review was supported in part by a contract from the Corporation for Public Broadcasting. The opinions and conclusions presented herein are those of the authors and not necessarily those of the Corporation for Public Broadcasting.

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## PREFACE

This report assesses the possible impact of the cable television industry upon public television. We have sought to address individuals who have little or no knowledge of the cable industry or public television programming strategies. So, for the advanced student of the cable industry and the public television audience, some of the sections in the report will seem elementary. It should also be emphasized that this review is much like a snapshot of a moving target. The cable industry is undergoing continual changes, and we ceased our review of activities as of August 1983.

We acknowledge help and interest from a number of individuals in the preparation of this report. We wish to thank Steve Symonds, who, while at CPB, funded the initial version of this project, and Richard Grefe, CPB Director of Planning and Research, who saw enough promise in the initial draft to continue the project. At PBS, Dale Rhodes read through the various versions of this review. At A.C. Nielsen, Stan Peterson was, as usual, most helpful, meeting our many requests for information. Cindy Wakemen, with the NPD Special Industries Services, executed the survey refered to in the text and was most helpful to us throughout the project.

We wish to thank the program managers at the member stations of the Pacific Mountain Network's Television Ratings Analysis Consortium. Their unstinting support of the audience analysis unit at PMN allowed this project to be completed.

Finally, it should be clear that the opinions and interpretations presented here are ours and not those of the Corporation For Public Broadcasting.

David and Judith LeRoy
Fort Lauderdale
September 1983

# I. INTRODUCTION

There has been considerable discussion about the possible impact of new technologies on public television audiences. Of principal concern in recent years has been cable television and its rapid growth in terms of subscribers. It now appears clear that public television will survive and, perhaps, even flourish in a media environment that includes cable television.

Cable television is nothing more than a system of wires that delivers to a subscriber's home a varied number of television channels free of atmospheric disturbances. In its initial concept some 30 years ago, cable television was a necessity in remote regions to receive distant commercial television signals. In recent years, freed of some restrictive federal regulations, cable television has built systems in urban areas and attracted substantial numbers of urban subscribers. Cable companies were able to attract urban subscribers because they offered additional channels for viewing, and, more importantly, premium movie channels like Home Box Office (HBO).

As cable television's potential for success became apparent, many media observers wondered whether public television would be able to survive the promised cornucopia of cable channels on the newer urban cable systems. Some argued that with a variety of new program services available, public television would find its audiences drained away by the competition. Further, some

makers and legislators saw little need to continue to expend tax monies on a public television system when viewers preferring the type of programs currently available on public television could receive them from commercial cable services. According to this view, these new cable program services could be supported by advertising or, in other instances, viewer subscriptions. However, up to the present, attempts to create cable channel equivalents of public television program fare have in most instances been commercial failures (e.g., CBS CABLE and THE ENTERTAINMENT CHANNEL).

Perhaps, then, the recent history of the cable television industry can furnish some valuable lessons in understanding how the so-called new technologies must function in the American media environment in order to survive economically. And, equally important, it may provide insights into how and why public broadcasting has survived in this environment.

A. Demographic Determinism

Casual observers of the mass media are occasionally puzzled that media experts continually refer to the demographic characteristics of American television viewers. References to demographic characteristics such as gender, age and education abound in many media studies.

Media audience experts have found that the best predictors of

future viewing behavior are the demographic characteristics of an individual. George Comstock and his colleagues summarized many thousands of media audience studies in Television And Human Behavior . They found there was a great deal of similarity and regularity in how audiences used television. In many instances, demographic characteristics functioned as the best explanatory variables in studying television audiences. So, for example, it can be asserted that older people watch more television than younger people. Women watch more television than men. People with college degrees are more likely to view prime time public television than are those with grade school educations.

A demographic characteristic functions as a kind of convenient summary indicator. Older people watch more television because they frequently have more free time available. Other variables are more complicated to unravel -- such as the fact that women are more likely to view dramas than war adventure series, or that younger people view situation comedies more than older people do. Behind each of these assertions lie generations of societal gender conditioning and the unique histories of each American generation.

But the emphasis on demographics is for convenience, and one should be aware that demographic analysis rarely delves into the realm of explaining why something happens. And for some critics of this methodology, the demographic assertions become a form of predestined determinism. The individual appears locked into some

form of programmed genetic behavior over which he or she has no control. This is an offensive concept for many critics of demographic determinism.

Another shortcoming of demographic analysis that irritates many people is that such studies deal with viewers in the aggregate. All individuals are lumped together into something called "an audience of so many millions." Everyone knows that individuals differ from one another, but in studying media audiences, most analysts focus on similarities rather than differences. For example, one can state with certainty that the audience for any television news program or public affairs series will consist mostly of older people -- many over the age of 65. Or one can assert that the audience for a comedy series like MONTY PYTHON will be comprised of teenagers and young adults.

It should be clear at the outset of this report, that the reliance on audience demographic characteristics is one of convenience since, in many instances, it is the only kind of evidence available for review. Further, it should be evident that other kinds of audience studies are needed to discern why audiences behave the way they do. But at present, demographic audience studies are the major source of information available. And, clearly, they are imperfect when it comes to explaining the viewing behavior of so many millions of Americans.

B. Research Sources Utilized In This Review

One major source of information for this report will be the national Nielsen ratings, which rely upon data proved by meters attached to the television sets in a representative sample of about 1,200 households. The meters merely record what channel a television set is tuned to at a given moment. The shortcoming of the metered data is that it records only set tuning data, not whether someone is actually viewing the program.

Nielsen also collects individual viewing behavior by using a diary form of questionnaire that is filled out during selected weeks throughout the year. This kind of viewing data is used to occasionally supplement, the metered data.

Two other studies of American households will be referred to at various times in this review. The Electronic Media Tracking Service (EMTS) conducts mail surveys of American homes three times each year. National in scope, EMTS recruits about 4,000 respondents each survey period. A number of the survey questions provide the opportunity for a comparison of other viewing and media use variables on the part of the public television viewer.

The other study, a national mail survey of 2,375 homes, is conducted by the Benton and Bowles advertising agency and attempts to measure how people are responding to cable television and the

other newer television delivery systems.

Supplementing these major sources of information will be references to standard industry statistical sources such as CABLEFILE/83, the trade press and various other audience studies.

## II. CABLE TELEVISION

Perhaps no other mass media industry contains so many examples of faulty logic, misplaced emphases on viewer (or subscriber) wants and confusion about the role of advertising and marketing as the cable television industry. In the cable microcosm, we see most of the possible models for marketing home entertainment, information, education and ancillary services like home security or telebanking.

About 10 years ago the Sloan Foundation funded a group of studies on cable television. The result was a paean about the advent of the wired nation, with a plethora of cable channels promising something for everybody. But the post-Vietnam recession thwarted many of those early predictions. As the 1970s progressed, however, the Federal Communications Commission (FCC) lifted some restrictive regulations from the cable industry.

As the decade continued, cash-rich companies began to acquire cable systems and the traditional pattern of ownership concentration began. It has been concluded by many media observers that the owners of new technologies such as cable television will be essentially the present owners of today's communication delivery systems.

## A. Dimensions Of The Cable Television Industry

During 1983 there were approximately 6,000 different cable systems in America, with about 30 million subscribers. About 40 percent of the cable systems have fewer than 12 channels and approximately 95 percent of all cable systems have some pay or premium channels available.

CABLEFILE/83 reports that 75 percent of these cable systems are owned by about 50 companies. The 10 largest companies (called MSOs or multiple system operaters) had about one half of all cable subscribers, and most of the largest MSOs were also owners of other media properties, e.g., Time Inc., Westinghouse, Cox and Warner.

One of the difficulties in discussing cable television penetration levels (percent of homes taking a service) is that it requires a decision about the baseline(s) for comparison. Currently, two basic methods exist: the first method computes the percent of households that subscribe to cable out of all households having television available (this method is preferred, as one would expect, by the broadcast industry); and the second method computes the percent of households that subscribe only among homes where cable is available (this latter measure is preferred by the cable industry).

Table II-1 summarizes the two approaches to ascertaining cable

penetration.

TABLE II-1

COMPARISON BETWEEN TWO METHODS OF
COMPUTING CABLE PENETRATION FIGURES

| | |
|---|---|
| **ALL TELEVISION HOUSEHOLDS MEASURE** | |
| TELEVISION HOUSEHOLDS PASSED BY CABLE | 61% |
| TELEVISION HOUSEHOLDS TAKING CABLE | 36% |
| TELEVISION HOUSEHOLDS TAKING PAY SERVICE | 20% |
| **HOUSEHOLDS WITH CABLE TELEVISION AVAILABLE** | |
| HOUSEHOLDS PASSED BY CABLE THAT SUBSCRIBE | 57% |
| TELEVISION HOUSEHOLDS PASSED BY CABLE THAT TAKE A PAY SERVICE | 33% |
| PERCENT OF CABLE HOUSEHOLDS THAT ALSO SUBSCRIBE TO A PAY SERVICE | 58% |

Based upon 83.9 million television households.

Source: CABLEVISION, May 1983

About 36 percent of all American television households take cable and 25 percent have cable available but do not subscribe; the remaining 40 percent of television homes do not have cable presently available.

More than 60 percent of United States' television households are currently passed by cable--meaning that cable is available and the household could subscribe. Of the homes passed by cable, more than half subscribe (between 55 and 60 percent, according to most industry sources).

Of the 40 percent of American homes without cable television available, about one half (or 20 percent of all households) will never be passed by a cable system. Most of these homes are in sparsely populated areas or in places that are considered uneconomical to wire. This suggests that the cable industry is in the final stages of building cable systems, and that by 1990 most of the building should be completed, with about 80 percent of all homes having access to cable.

B. Description Of Cable Subscribers

The industry defines two kinds of cable subscribers. One type takes cable and no pay tiers; these are called basic households. Another type takes a premium service; they are labeled pay households. Actually, a third type of household exists -- cable rejectors, a household that has cable available and has decided not to subscribe.

As the industry has matured through 30 years of existence, the major development in the last eight years has been the wiring of major urban centers, suburbs and, in some instances, the major cities themselves. As cable has become available to more and more homes in urban areas, subscription rates have increased dramatically. But, as the Benton and Bowles' study stresses, that subscription growth has been due to increased availability, rather

than increased popularity of cable. That is, if one looks at the number of households without access to cable but desiring to subscribe, and those subscribing when it is available, the percent taking cable or desiring to do so has stayed the same for the last few years. About 55 percent of those without cable say they would subscribe if it were available, and 58 percent of homes passed by cable do subscribe.

1. Profile Of Cable Rejectors Households in the EMTS study that reject cable tend to have older residents. In terms of available broadcast television channels, 74 percent of the rejectors are satisfied with what they can receive and 53 percent say there are enough programs available for them to view without cable. Only 28 percent say they cannot afford cable television, while 61 percent say cable is not worth the cost and about nine percent have previously subscribed to cable.

In the Benton and Bowles study, half of the rejectors with children do not subscribe because of a concern about the content of cable television channels. Survey evidence comparing responses between 1981 and 1983 suggests that cable's programming content is a growing concern among some cable rejectors.

Of the approximately 20 million homes which have presently rejected cable, most have not seriously sampled it, indulging only occasionally at a neighbor's house. Most rejectors can afford

cable, and may or may not be satisfied with their current broadcast television programming. Dissatisfaction with broadcast television does not appear to be a sufficient reason or motivation to compel rejectors to subscribe. A majority of rejectors are older. Of those with children, especially younger ones aged two to six, 52 percent cite cable's objectionable content as a reason for not subscribing. All this suggests that among rejectors, perhaps only 10 to 15 percent could be persuaded to eventually subscribe, given the right price and/or the ability to control channel availability for children.

2. Profile Of Basic Subscribers The problem in assessing the distinctions between basic and pay subscribers is that many basic homes are in sparsely settled areas, and thus need cable to receive even network services. The result is that many basic homes contain people who need cable, but are not pay subscribers. It is suspected that many of these basic homes would be cable rejectors if they lived in a larger city where sufficient broadcast television is available.

So, if one compares basic and pay cable homes on various demographic variables, the basic household tends to have older residents. If one examines the length of time a home has taken cable in the Benton and Bowles study, those subscribing five or more years are less likely to take pay (only 40 percent), whereas of those subscribing in the last two years, 75 percent take pay, and of

those subscribing between two and five years, 67 percent take pay.

It seems that many basic homes have taken cable because they need to or, in a few instances, they want more programming choices but cannot afford pay or they have other reasons for not subscribing, such as objectionable program content.

3. Profile of Pay Subscribers About 95 percent of all cable homes have pay available. However, older systems have perhaps only one service, often Home Box Office (HBO). Of those with pay available, about 60 percent subscribe. That number has grown from the 40 percent reported two years ago in the Benton and Bowles study.

The pay cable home tends to be headed by a younger or middle-aged head of household. Often there are children and teenagers in the home. The residents are more likely to have been to college, have higher incomes and live in urban areas. Among those taking pay, about 40 percent have signed up in the last two years, and 70 percent in the last five years. More than 30 percent of pay homes take two or more premium channels.

The primary reason cited for taking a pay service is to view movies (78 percent). Less than one half of the pay subscribers cite the lack of commercials as a reason for subscribing, and only a quarter of the samples cite sports as a reason for signing up. It

is the availability of films more than anything else that is the compelling motive for subscribing.

About 20 percent of basic cable homes have cancelled a pay service. Among current pay subscribers, about 20 percent also have cancelled a pay service at one time or another.

4. Public Television Viewers And Cable Subscription There is a variety of sources for ascertaining the level of public television viewing and cable household status. Table II-2 presents the EMTS data; Nielsen data will be presented in a later section of this review (i.e., Table III-2).

TABLE II-1

COMPARISON OF THE PERCENT OF HOUSEHOLD TYPES VIEWING PUBLIC TELEVISION ONCE A WEEK AND THEIR DISTRIBUTION IN THE PUBLIC TELEVISION AUDIENCE

| | PERCENT VIEWING PTV WEEKLY | DISTRIBUTION OF WEEKLY PTV AUDIENCE |
|---|---|---|
| NO CABLE ACCESS | 55% | 30% |
| CABLE REJECTOR | 55 | 25 |
| BASIC ONLY | 56 | 15 |
| PAY CABLE | 55 | 24 |

Source: EMTS, February 1983

As can be seen in this survey utilizing self-reported viewing of public television in the last seven days, there is little difference among the four types of households. The second column

provides the contribution of each type to the audience for public television. For example, 24 percent of the weekly audience is comprised of pay cable homes, 15 percent are basic homes, 25 percent are cable rejectors and 30 percent reside in no access homes. If one compared the distribution of cable home status in the population -- the percent who take pay, basic and so on -- the composition of public television's audience by household cable status almost mirrors that of the population.

No one group of households disportionately views public television in comparison to its existence in the population, according to this data. However, the Nielsen data provided in the next section of this report will reveal a somewhat different pattern.

## III. CABLE TELEVISION'S IMPACT ON TELEVISION VIEWING

Television viewing habits or patterns have had more than 30 years in which to establish themselves. It is clear by now that the primary use of television is to provide entertainment first and news and information second. Public television is one of many viewing choices available to American television households.

Approximately 96 percent of the country can now receive public television through some kind of delivery system. During some rating survey periods, 50 percent of all United States television households tune to public television once a week, and about 30 to 35 percent is in prime time. During the period of a week, the average public television viewing home watches for approximately three hours, a little more than an hour and a half in prime time. The typical public television viewing pattern, especially in prime time, suggests the public television viewing household watches one or two programs a week.

A recent Public Broadcasting Service (PBS) study of the public television audience's demographic composition demonstrated that throughout a whole week, those who choose to view public television mirror rather closely the American population in terms of race, age and income. (A summary of this study can be found in Appendix A.)

The public television audience is attracted by a variety of

programming, ranging from children's programs such as SESAME STREET to public affairs series like WALL STREET WEEK or WASHINGTON WEEK IN REVIEW to drama, dance and music. Throughout a week, the audience for public television builds in bits and pieces, like a mosaic of the population, as viewers watch one or two programs a week that appeal to them. The cume, or reach of public television, is attained by program variety.

A. Share Of Viewing

Cable television has affected the commercial networks' share of the viewing audience. A 1983 CBS study argues that 56 new commercial independent stations that have come on the air since 1980 have also influenced the declining commercial network viewing shares. In 1977, when there were only one million cable pay television subscribers, the three commercial networks had a combined prime time viewing share of 91 percent. Six years later, in 1983, there are 16.8 million pay subscribers and the networks' share has dropped to 81 percent in prime time. In January 1983, during the high point of the commercial season when the most homes view television, the erosion continued, as Table III-1 indicates.

TABLE III-1

AVERAGE NUMBER OF HOURS AND SHARE OF TELEVISION VIEWING
BY HOUSEHOLD CABLE STATUS
JANUARY 1983

| | NON-CABLE | BASIC CABLE | PAY CABLE |
|---|---|---|---|
| WHOLE WEEK AVG HOURS | 50 | 52 | 61 |
| NETWORK AFFILIATE | 81% | 75% | 59% |
| INDEPENDENT | 18 | 19 | 21 |
| PUBLIC TELEVISION | 4 | 4 | 3 |
| CABLE ORIGINATED | -- | 7 | 9 |
| PAY CABLE | -- | -- | 16 |
| TOTAL SHARES | 103 | 105 | 108 |
| PRIME TIME AVG HOURS | 13 | 13 | 14 |
| NETWORK AFFILIATE | 87% | 78% | 67% |
| INDEPENDENT | 12 | 15 | 13 |
| PUBLIC TELEVISION | 5 | 5 | 3 |
| CABLE ORIGINATED | -- | 8 | 9 |
| PAY CABLE | -- | -- | 24 |
| TOTAL SHARES | 104 | 106 | 116 |

Source: A. C. Nielsen, Cable TV Status Report

As the table indicates, the network shares are the lowest in pay cable homes and the highest in non-cable households. In pay homes, almost a quarter of all prime time viewing is devoted to the premium channels. And, as expected, public television's share is the smallest in pay cable homes and about equal in basic and non-cable homes. Note also that pay homes view about the same number of prime time hours, but watch considerably more television in other dayparts than other homes.

B. Television Viewing: The Electronic Fireplace?

Social science theorists have discussed the personalization of television for years, that is, as the number of channels available for viewing increased, each person in a household would choose a favorite channel or two. Television would evolve and pattern itself somewhat like radio, where the listener chooses and listens to a limited number of stations. In the 1960s, radio became a medium for the individual, with little group listening. Radio stations succeeded by broadcasting only one type of music (e.g., rock, country, nostalgia) or information (news or talk shows).

From time to time, Nielsen has studied the viewing patterns of metered multiset homes. The Nielsen studies revealed that the second television set in a home is rarely on--only about 11 percent of the time. And when it is on, it is usually tuned to the same channel as the main set. So, for a vast majority of homes--including the almost 60 percent that have two or more sets--television viewing is still a family affair. In pay cable homes, a majority of subscribers have cable hooked to one set only, about 70 percent in the recent EMTS February 1983 study. Since the attachment of the second set to cable costs only about $20 a year, economics cannot be the primary reason for not wiring the second set.

There is little doubt that many American households are

accidental two or three set homes. When people buy a new television set, they simply move the old set into another room, since few merchants take trade-ins. Given two or more television sets, as the Nielsen data has indicated, few individuals choose to view the second set.

Table III-1 suggests, however, (in the row dealing with total viewing shares), that some multiset viewing does occur. All three kinds of households report some (the difference between 100 percent and the reported totals in Table III-1 are due to second or third set viewing). About four percent of prime time viewing occurs on a second set in non-cable homes, about six percent in basic homes and 16 percent in pay homes. So some multiset viewing occurs, but not as much as one might expect.

The important point is that even in multiset homes, television viewing is still a family affair. This phenomenon, some 30 years into the television age, has been dubbed the "electronic fireplace." People like to watch television together--an activity likened to gathering around the fireplace to watch the flames dance and sparkle. To date, cable television has not changed this pattern of American TV viewing.

C. Number Of Channels Viewed, Including Public Television

Another study by Nielsen shows that as the number of channels

available for viewing increases, the viewing of different channels does not increase dramatically. Using a liberal measure (viewing a channel five minutes or more in a week), Nielsen revealed the patterns summarized in Table III-2.

TABLE III-2

AVERAGE NUMBER AND PERCENT OF CHANNELS VIEWED
IN A HOME BY NUMBER OF CHANNELS RECEIVED

| NUMBER OF CHANNELS RECEIVABLE | 1-4 | 5-6 | 7-8 | 9-10 | 11-15 | 16-20 | 21-25 | 26+ |
|---|---|---|---|---|---|---|---|---|
| AVERAGE NUMBER OF CHANNELS VIEWED | 2.6 | 3.6 | 4.2 | 5.1 | 6.2 | 7.6 | 8.5 | 10.0 |
| PERCENT OF CHANNELS RECEIVED VIEWED | 72% | 65% | 57% | 54% | 50% | 44% | 36% | 34% |

Source: A.C. Nielsen, NTI, May 10 to 16, 1982

People more likely to watch public television, especially among the middle-aged viewers, are also more likely to subscribe to cable if it is available. Cable television may, in some instances, bring in public television signals with greater clarity, especially if the public television station is on a UHF public television channel; it is likely that this signal parity helps some public television stations. However, most public television viewers would have watched public television, with or without cable. Table III-3 provides November 1982 cume, or reach, data from Nielsen's national metered market data service.

TABLE III-3

NIELSEN METERED REACH (CUME) OF
PUBLIC TELEVISION IN NOVEMBER 1982

| | WHOLE WEEK | | PRIME TIME | |
|---|---|---|---|---|
| | CUME | TIME* | CUME | TIME* |
| ALL HOMES | 51.5 | 189 | 32.1 | 103 |
| NON-CABLE | 46.5 | 199 | 28.0 | 120 |
| PAY CABLE | 61.2 | 156 | 38.3 | 77 |
| BASIC CABLE | 56.2 | 208 | 38.5 | 95 |

* Denotes average number of minutes a household spent viewing public television in a week.

Source: A.C. Nielsen

It is evident that cable homes are more likely to sample public television than are non-cable homes. And -- an even more interesting revelation -- pay cable homes are more likely to sample public television than are basic and non-cable households.

Nielsen also furnishes an estimate of the amount of time a household spends with public television--in terms of average minutes viewed per week. Cable homes are more likely to sample public television; however, they also view fewer minutes on public television than non-cable homes. That they spend less time with public television is not surprising, since these cable homes spend less time with any channel that they receive. Increased programming choices result in a complex mesh of viewing decisions. Not all available channels get viewed, but most channels are able to attract

some viewer sampling.

In a 10-channel environment, about half of the stations are viewed regularly, but when the channels available pass 25, only one-third are viewed with regularity. Nevertheless, the actual number of channels viewed by any household has increased in the 30-channel environment. For example, in a 10-channel system, the mean number of channels regularly viewed is about 5.1, but in a 30-channel system, the mean number of channels regularly viewed increases twofold. If every home selected the same five or 10 channels to view, then it would be a simple matter to understand viewing choices.

But, alas, not every home selects the same channels. Some never watch the religious channel, or the news channel, or the music channel. The commercial networks get a lion's share of the viewing, and in a pay home, the movie channel gets about as much viewing as a network affiliate. By way of illustration, assume in a pay cable home the three commercial network affiliates and a pay movie channel get 70 percent of the household's viewing. The remaining 30 percent of the viewing is spread out among another six or so channels. What channels get chosen?

In Table III-3, it should be clear that pay cable homes are more likely to sample public television than are basic cable and non-cable homes. And in prime time, four out of 10 cable homes view

public television, compared to only 28 percent of the non-cable homes. So in cable homes, public television is a viable and attractive program source.

The more affluent and better-educated viewers are more likely to have access to, and be able to afford, cable. And, in most instances, these people are more likely watch public television (with or without cable). The key point is that -- even with increased choices available --the pay cable home continues to sample and view public television. However, there is only so much time available to view, even in a household that can be characterized as heavy viewing. Just as the commercial networks have experienced decreased viewing, so must public television, if the measure is the number of minutes spent with a service or channel.

In addition, since pay cable homes view the most television of all three groups, they also sample more public television in non-prime time hours. Some of this, no doubt, is due to the presence of children in the home, because pay cable households are more likely to have children at home. Also, since they are households with younger adults as residents, who are more likely to stay up later than older adults, they are, perhaps, more likely to sample public television from time to time during the late hours.

D. What Is Viewed On Public Television

In assessing the impact of cable television, it is important to establish just what is available for viewing on public television, what is in fact watched and how homes differ in what they select to view, given their cable status.

1. Menu Versus Diet In this analogy, menu versus diet, menu refers to the variety of programming available for viewing on public television stations. The programs that the viewer chooses to watch comprise the diet. Many observers are surprised to find how varied the program offerings are on public television.

Table III-4 gives the percentage of time devoted to various types of programs (the menu) offered in prime time for November 1982, along with the percent of audience attracted by the schedule (the diet).

TABLE III-4

PERCENTAGE OF PRIME TIME AND AUDIENCE BY PROGRAM TYPES
FOR A SAMPLE OF PUBLIC TELEVISION STATIONS

| | PERCENT TIME | PERCENT AUDIENCE | PERCENT DELIVERY | AVERAGE RATING |
|---|---|---|---|---|
| DRAMA | 19% | 18% | - 5% | 2.2 |
| NATURE OR TRAVEL | 15 | 25 | 67 | 3.8 |
| CULTURE | 14 | 10 | -29 | 1.5 |
| NEWS AND TALK SHOWS | 13 | 12 | - 8 | 2.1 |
| SCIENCE | 12 | 13 | 8 | 2.5 |
| MOVIES | 11 | 10 | - 9 | 2.1 |
| DOCUMENTARY | 5 | 5 | -- | 2.0 |
| CONTEMPORARY MUSIC | 3 | 2 | -33 | 1.7 |
| COMEDY | 2 | 2 | -- | 2.0 |
| HOW TO OR ITV | 1 | 1 | -- | 2.2 |

Note: Limited to a sample of 36 local markets.

Source: A.C. Nielsen, November 1982

As the table indicates, the menu of prime time public television contains a variety of programming. The primary categories include drama, nature or travel (shows of NATIONAL GEOGRAPHIC genre), science and news (or talk) shows. Sometimes, high culture can constitute 20 percent of the prime time public television schedule, but more often it falls into the 15 percent range -- hardly an elitist menu of programming. So what is striking is the variety of types of programs in the schedule. In comparison with commercial networks with their mix of drama, films and situation comedies, the public television schedule contains much more variety in terms of program types.

The percent of delivery column in Table III-4 gives the

percentage of audience attracted by a type over or under its presence in the schedule (i.e., the percent of audience column divided by the percent of time column). The most popular programs on public television during this rating period were nature documentaries and science programming. Culture underdelivered its share of audience by about 29 percent, while contemporary music was also below average.

Table III-4 therefore demonstrates that public television offers a variety of programming and that the public television audience selects its favorites essentially in the same manner as any television audience. Drama and certain kinds of reality programming tend to be popular, while hard news shows attract fewer viewers. Other studies have suggested that each type of program attracts a unique audience that tends to view specific public television programming--just science programs, for example. So, program variety has helped public television extend its reach into the American population by accumulating a variety of different audiences.

2. Program Types Table III-5 provides data from one week's programming (November 8-14, 1982). Clearly, each week varies, given the types of programs available.

TABLE III-5

WEEKLY REACH OF SELECTED PBS DEFINED PROGRAM TYPES
BY HOUSEHOLD CABLE STATUS

| | | ---CABLE--- | | |
|---|---|---|---|---|
| | NON-CABLE | BASIC | PAY | TOTAL |
| SCIENCE | 16.0 | 19.6 | 19.9 | 17.5 |
| CHILDREN | 14.0 | 16.2 | 18.9 | 15.5 |
| DRAMA | 11.8 | 14.9 | 10.7 | 12.0 |
| PUBLIC AFFAIRS | 10.6 | 12.8 | 8.7 | 10.6 |
| CLASSICAL | 7.1 | 14.2 | 7.3 | 8.3 |

Source: A. C. Nielsen, November 1982

This table reveals that during this rating week, science, the most popular program type, did well in cable households. As expected, the homes with pay cable are heavy users of public television children's programs, but are not much interested in public affairs, classical or cultural programming. Given the demographics of the pay subscriber household, this is not surprising.

Table III-6 is drawn from the EMTS study and is based on self-reported (or remembered) viewing. This is not quite as accurate, perhaps, as the meter data. In this study, the program categories are bit more varied and suggest a slightly different order in terms of perceived program preferences.

TABLE III-6

PERCENTAGE OF PRIME TIME PUBLIC TELEVISION
SELF-REPORTED VIEWING OF PROGRAM TYPES

| | -----CABLE--- | | -----NON-CABLE------ | |
|---|---|---|---|---|
| | BASIC | PAY | REJECTORS | NO ACCESS |
| DRAMA | 29% | 32% | 34% | 33% |
| NATURE OR TRAVEL | 24 | 21 | 34 | 36 |
| SCIENCE | 24 | 27 | 30 | 30 |
| NEWS AND TALK SHOWS | 23 | 12 | 32 | 23 |
| CULTURE | 16 | 13 | 18 | 15 |
| MOVIES | 10 | 10 | 9 | 14 |
| COMEDY | 6 | 6 | 10 | 12 |
| CONTEMPORARY MUSIC | 3 | 4 | 4 | 7 |
| HOW TO OR ITV | 4 | 2 | 5 | 7 |
| DOCUMENTARY | 2 | 2 | 3 | 2 |
| AVERAGE TYPES SELECTED | 1.4 | 1.3 | 1.8 | 1.9 |

Source: EMTS, November 1982

The types of programs selected by various kinds of cable and non-cable homes differ somewhat, given the residents of each household. Drama is, in Table III-6, the most preferred cable program type, with nature and travel programs being the most preferred in no cable access homes. Note that preferred programs cluster into a few types, even though there is a wide variety of programs available. The pay cable household views fewer program types on public television (i.e., 1.3) than other households. The people likely to select the most diverse kinds of programs are homes with no access to cable. This may be due, in part, to the fact that these households have fewer channels to select from initially.

It was demonstrated in Table III-3 (cumes and minutes table)

demonstrated that cable homes will sample public television more than other homes, but that the amount of viewing or minutes spent with public television is somewhat less in cable homes than in non-cable homes. So public television remains a viable potential viewing option in cable homes, especially in pay homes. These cable homes sample public television and view what interests the residents of the household. But given a wider number of channels to choose from, cable homes no longer have to tolerate programming that is of marginal interest to the residents.

## IV. VIEWING AND EVALUATION OF CABLE PROGRAMMING SERVICES

The number of programming services available to cable subscribers varies by channel capacity on a cable system and by what the local cable operator chooses to purchase for the system. Basic cable programming services are generally those channels that are available with a basic subscription to a cable system. However, some cable systems require that the subscriber pay extra for a cluster or tier of program channels. Exactly how many cable systems tier their basic programming services is unknown at present.

The major grouping of program services is as follows:

1. Imported independent commercial stations or superstations like WTBS from Atlanta or WOR from New York carry the usual independent's type of program schedules: movies, sports and off-network syndicated programs.

2. There are about 20 cable-oriented programming services such as ESPN (Entertainment and Sports Programming Service), The USA Network, CBN Cable Network, CNN (Cable News Network) and so on; about 15 are full time or 24-hour-per-day services. Some services are quite limited in their programming focus (such as the Nashville Network, which plays only country and western music). Others attempt to broaden their program appeal from programming with sports and rock music or entertainment (e.g., USA). Some program services are not stand-alone channels, but appear for only a few hours a week (e.g., TELE-FRANCE on the Satellite Program Service--SPN). Appendix B lists cable services, along with a brief description of programming content.

3. Text channels are a cluster of services consisting mostly of text that rotates across the screen, carrying news or financial information. There are five or six of these services currently available; some carry advertising.

4. Pay or premium channels carry no advertising and require a separate payment monthly from the subscriber. At present, there

are about 12 national pay services and about 10 regional services (e.g., PRISM-Philadelphia, which telecasts local sports and movies). At present Home Box Office (HBO) leads all of the services, with about 13 million subscribers, followed by SHOWTIME, with approximately four million. Two other movie channels, THE MOVIE CHANNEL and CINEMAX, have about 2.5 million subscribers each; all of the remaining services have from 200 to 700,000 subscribers.

From the cable operator's point of view, there are really three kinds of services available: those that are free to the system; those for which the system must pay a fee; and those premium services for which the system charges the subscriber a fee (which is split between the operator and the pay service). In this section of the review, the focus will be upon the non-premium channels.

A. Some Types Of Cable Programming Services

There are a few cable programming services that are of particular interest to individuals interested in the relationship between cable television and public broadcasting. Among the non-pay channels of interest are ASCN (The Learning Channel), ARTS, C-SPAN, CNN, ESPN, NICKELODEON and, perhaps, USA. Later portions of this report will deal with the failure of CBS CABLE and BRAVO, positioned as pay culture channels.

The Appalachian Community Service Network began in 1979 as a regional service providing instructional television to the Appalachian region of the country. After a series of reorganizations, the service evolved into a national instructional channel and now provides programming to about 250 cable systems with

a potential of about two million viewers. It charges the cable operator five cents per subscriber, cablecasting 10 hours a day, weekdays, and 19 hours a day on weekends. During the unused time, it apparently rents out its leased transponder to National Jewish Television.

Recently, ACSN renamed itself the LEARNING CHANNEL, announced plans to begin its own public affairs series and expressed a willingness to accept appropriate advertising. The instructional component of the service is comprised of a variety of pre-recorded courses offered for credit through local colleges and universities.

ARTS is provided free to a cable operator and is carried by about 1,600 cable systems; it is available in about 10 million homes. Currently, ARTS programs three hours an evening, beginning at 9PM ETZ. The same three-hour block is repeated at midnight and at 3AM. ARTS is fed on the same satellite transponder as NICKELODEON and is not available between 9PM to 6AM. ARTS is a joint venture of Hearst and ABC Video. The same company also operates a program service for women called DAYTIME on a different satellite transponder. Advertising on ARTS generally appears at the beginning or end of a program and is limited to institutional kinds of ads, rather than ads for individual consumer products.

Programming on ARTS is quite narrow in scope, stressing classical and modern dance, documentaries about the arts and artists

and some drama and opera. Except for an occasional history series, the service focuses on "high" culture. It produces little original programming, instead acquiring programs in large part from overseas or from American co-productions with a variety of producers. The service offers occasional programs that played initially on PBS. The ARTS scheduling strategy utilizes saturation repeats of a program. Repeats occur within the week, after which a program is rested for a time and then brought out in the schedule for another series of repeats.

Studies of the ARTS audience released by ABC show that the audience is so small that special kinds of surveys must be instituted to get a rough estimate of the demographics. Those studies indicate that the ARTS viewer is, indeed, quite upscale in terms of income and education. Most of the audience lives in the suburbs and in smaller towns and cities.

CNN (Cable News Network) costs a cable operator 20 cents per subscriber (15 cents if the system also carries WTBS). Currently CNN is on 3,500 cable systems and can be viewed by about 20 million homes. The programming is a 24-hour service consisting essentially of news and talk shows. Advertising on CNN is like that seen on commercial broadcasting stations. The audience consists largely of older people, with a number of middle-aged viewers in certain dayparts.

CNN offers also a companion news service called CNN Headline News. Operaters who carry CNN can carry the headline service for an additional three cents per subscriber. The service is currently on approximately 500 cable systems and is available to about four million homes.

C-SPAN (Cable Satellite Public Affairs Network) programs live coverage of the House of Representatives' formal sessions, along with a variety of taped Congressional hearings, political speeches and occasional special events. The service carries no advertising, although it does have "underwriting" sponsors who place generic or institutional ads at the beginning and close of each program or session. The channel cablecasts 24 hours a day and costs the cable operator three cents per subscriber. It is currently carried on about 1,000 cable systems and is available to about 13 million homes.

ESPN (Entertainment and Sports Programming Network) has been essentially a sports channel, with a variety of taped and live events. The service produces a number of news and talk shows and is positioned to attract a predominantly male audience. Prior to 1983, the service was free to cable operators; they must now, however, pay 10 cents per subscriber. The service, which is on 24 hours per day, is carried by 6,000 cable systems and available in about 23 million homes. In mid-1983, ESPN began a financial news program played in the early morning hours.

NICKELODEON is owned by Warner-Amex, which also owns THE MOVIE CHANNEL and MTV (Music Television). NICKELODEON, a program service for children, purchases most of its programs overseas; it does, however, carry one or two series purchased or produced in the United States (e.g., LIVEWIRE for teenagers). NICKELODEON avoids programs with violence, stresses programs that are pro-social in tone and cablecasts about 15 hours a day, sharing its transponder with ARTS. The service, carried on 2,700 cable systems and available to about 13 million homes, costs the cable operator 15 cents per subscriber.

NICKELODEON presently carries a form of advertising underwriting with re-edited product commercials appearing at the beginning and end of certain programs. The management has announced that in 1984 the service will carry a more traditional form of product advertising. The guidelines for such ads are yet to be determined.

The USA network began as a sports service, but recently has undergone some programming changes, due, in part, to the preferences of the service's new owners (Time, Inc., along with some other entertainment companies). While the service still telecasts a great deal of sports programming, attempts have been made to broaden the appeal of the service by adding programs for children, women and young adults. It is a 24-hour-a-day service.

The program service now dayparts its programming extensively to attract available viewers. Therefore, during the day it programs for women, while late at night USA is given over to a teen and young adult service called NIGHT FLIGHT, featuring a mixture of video music, camp old re-runs (TOM CORBETT, SPACE CADET), RADIO 1990 and VIDECWEST.

On weekends, USA also carries a mini-service called OVATION (formerly THE ENGLISH CHANNEL), which features many documentaries, dramas and news programs from the Canadian CBC network and a few shows from England. The service is clearly positioned to attract a PBS and ARTS type of viewer.

All of the USA Network dayparts carry regular product advertising and charge the cable operator 11 cents per subscriber. Currently the service is carried on about 3,500 cable systems and is available to about 18 million homes.

Two newer programming services should also be mentioned. MTV (Music Television) is a 24-hour-a-day video music service oriented toward teens and young adults. The emphasis is upon rock music, with little or no ethnic or country music. Initially offered free to cable systems, MTV has announced that it will soon start charging cable operators about 10 cents per subscriber. It has been suggested that the reason for the change is that the service was not generating enough advertiser support to permit it to remain free of

charge to cable systems. Currently the service is carried on 1,700 systems and is available in about 14 million homes.

The second new music service, the Nashville Network, features country and western music for 12 to 16 hours per day. Advertiser supported and free to cable systems, it is found on about 800 cable systems and available in about eight million homes.

The music services are clearly positioned to be narrow and specific in programming appeal, somewhat like ARTS, CNN, NICKELODEON and C-SPAN. ESPN and USA are attempting to reach wider audiences with their program services.

Table IV-1 provides three estimates of service carriage for selected program services. The first column contains the percent of cable subscribers able to receive a service as estimated by Benton and Bowles. The next two columns give the percent of the EMTS sample reporting service carriage by their cable system for the whole sample and the percent of responses from individuals who also report viewing public television in the last seven days.

TABLE IV-1

ESTIMATED AVAILABILITY OF SELECTED PROGRAM SERVICES BY THE WHOLE EMTS SAMPLE AND WEEKLY PUBLIC TELEVISION VIEWERS

| | INDUSTRY ESTIMATE | EMTS SAMPLE | WEEKLY PTV VIEWERS |
|---|---|---|---|
| ARTS | 27% | 17% | 18% |
| CNN | 58 | 63 | 66 |
| C-SPAN | NA | 19 | 21 |
| ESPN | 68 | 69 | 73 |
| MTV | 30 | 36 | 36 |
| NICKELODEON | NA | 39 | 42 |
| USA | 50 | 43 | 46 |
| WTBS | 83 | 64 | 67 |

Sources: Benton and Bowles, January 1983 and EMTS, February 1983

The principal finding, here, is that in self-report surveys, the respondents tend to vary considerably from industry estimates. In general, though, the public television viewer tends to be more aware of available cable channels than the general sample. But it is also evident in the table that most cable program services, except WTBS and ESPN, lack sufficent penetration among cable systems. This places these cable services at a disadvantage in comparison to broadcast television stations. For example, public television stations have almost 100 percent carriage on cable systems, so they have a clear penetration advantage in comparison to the services given in Table IV-1.

Table IV-2 presents data for respondents who report someone in the household views a service once a week or more. Households that report viewing public television once a week are more likely to view

any cable service in comparison with the rest of the sample of respondents.

TABLE IV-2

PERCENT OF CABLE SUBSCRIBERS VIEWING
A SERVICE ONCE A WEEK

| | EMTS SAMPLE | WEEKLY PTV VIEWERS | PERCENT PTV HOMES * |
|---|---|---|---|
| WTBS | 49% | 53% | 60% |
| CNN | 36 | 41 | 64 |
| ESPN | 36 | 41 | 59 |
| USA | 21 | 26 | 67 |
| MTV | 19 | 19 | 56 |
| NICKELODEON | 13 | 17 | 71 |
| C-SPAN | 4 | 5 | 72 |
| ARTS | 3 | 4 | 72 |

* Percent of a service's household audience that also views public television once a week.

Source: EMTS, February 1983

The table suggests that ESPN and MTV are doing fairly well in attracting public television viewers (attracting 59 and 56 percent, respectively), while CNN, USA and WTBS are doing somewhat better (attracting 64, 67 and 60 percent of the public television viewers). The cable services that best attract public television viewing households are, as expected, ARTS, C-SPAN and NICKELODEON.

To summarize to this point, the EMTS data suggest weekly public television viewers are more apt to be aware of a programming service's availability, more likely to view the services, and--in more than a few instances--constitute a substantial portion of the

audience for a programming service.

One of the major difficulties in studying cable program services is that their potential and actual audiences are, in many instances, quite small. In the aggregate, Nielsen estimates that in January 1983, all of the cable originated program services attained a 2.3 rating in prime time and garnered about four percent of the viewing in all TV homes. Recall that more than 20 cable services are represented in this aggregate estimate. Taken together, the cable services are beginning to impact national viewing levels, but no one service seems to command a large audience at present. Some would argue, however, that since the cable services have access to far fewer homes than the television networks, the cable services are doing quite well despite the handicap.

B. Pay Cable Services

The success of the pay cable services can be traced to two developments: first, the utilization of satellites to deliver premium programming to cable systems economically and efficiently; and, second, the serendipidous discovery that pay movie channels are, for most cable operators, their best marketing tool. Since almost all cable systems require that the subscriber sign up for basic cable to get pay cable, the movie channels help cable systems enormously increase penetration, especially in larger markets.

HBO pioneered the use of satellites to distribute its service nationwide. Compared to other methods of signal distribution, the satellite was clearly the most efficient method available. It is doubtful if any of the programming services currently on cable systems could have evolved without the use of satellites for signal distribution.

In the 1970s, a key marketing question for cable operators was how much the average subscriber would pay to take cable, and, more importantly, how much could be added to that sum for a premium service? The answer turned out to be a lot more than the experts had predicted. Currently, a pay household's average bill is about $20 a month.

As Table IV-3 indicates, HBO dominates the premium programming field. It is on about 85 percent of all cable systems and has approximately 75 percent of the total number of pay subscribers. The problem for other services, obviously, is how to compete with this pay cable giant. In most instances, many of the other services merely seek to be the second pay service, after HBO, that a subscriber picks up.

TABLE IV-3

NUMBER OF CABLE SYSTEMS WHICH CARRY SELECTED PAY SERVICES AND THEIR ESTIMATED NUMBER OF SUBSCRIBERS

| | SYSTEMS | SUBSCRIBERS |
|---|---|---|
| BRAVO | 90 | 125,000 |
| CINEMAX | 1,800 | 2,500,000 |
| DISNEY | 627 | 200,000 |
| HBO | 5,000 | 12,500,000 |
| MOVIE CHANNEL | 2,600 | 2,400,000 |
| PLAYBOY | 275 | 500,000 |
| SHOWTIME | 2,400 | 4,100,000 |

Source: CABLEVISION, JULY 1983

As in other mass communication arenas, the smaller pay cable services are seeking a niche in the market by positioning themselves as specialized types of services. Thus, the PLAYBOY channel telecasts somewhat sexually oriented material, while DISNEY (which began service in 1983) seeks a family programming image.

BRAVO is a part time cultural service that is marketed by the same firm that handles PLAYBOY (formally ESCAPADE). However, with limited acquisition funds and small audiences, the service has focused recently on captioned foreign films and has been somewhat selective about the cultural performance programs it cablecasts.

So the pay services can be divided into two categories: broad appeal services and specialized services. HBO, SHOWTIME and THE MOVIE CHANNEL seek subscribers with a broad range of films, and, recently, HBO and SHOWTIME have begun programming their own series.

SHOWTIME, the more risque of the two services, has its own soap operas, plays R-rated films in all dayparts and has recently been playing a former network and PBS series, THE PAPER CHASE. HBO has its own comedy and music series, along with sports (tennis and boxing, mostly); it has its own film company to make movies. HBO tends to avoid the R-rated movies, except late at night. Following SHOWTIME'S lead, all three of these services are now cablecasting 24 hours per day.

When it became apparent that subscribers would, in fact, sign up for a second movie channel, HBO created a second movie service called CINEMAX. The service could be sold in tandem with HBO or as a separate service. Its principal selling point was that CINEMAX played different films than HBO; therefore, it would hopefully solve the vexing problem faced by many multi-pay homes that the major services all play the same films during the same month. However, it soon became apparent that there were not enough good films available for CINEMAX to reduce its overlap with HBO. There is little doubt that CINEMAX has had problems penetrating the market. Of all of the major movie services, CINEMAX has had the highest number of disconnects (i.e., churn). Most of the major movie services lose about three percent of their subscribers in a month, while CINEMAX has had churn in the six to seven percent range. Naturally, some of the lost subscribers are replaced by those that are adding the service, so the overall growth rate for services such as HBO and SHOWTIME has been fairly steady in the 1980s. However, most of the

other pay channels have had far less growth than these two services.

By the early 1980s it became clear that movies were the driving force behind the rise in cable subscriptions, as cable operators wired the suburbs of the nation's largest markets. To a large extent, the amount of money a cable operator charges for a premium channel or channels is a local decision, since the premium programmers wholesale their services to the operator. Cable operators package the pay channels in clusters or tiers, so prices for pay services can vary dramatically from system to system. The rule of thumb seems to be that the more the operators charge, the more they retain as profit.

Current estimates for the wholesale prices from industry sources for HBO are about $4 per month and for CINEMAX $3.50. THE MOVIE CHANNEL and SHOWTIME, the other two major movie suppliers, charge about $4 per subscriber. Smaller services like BRAVO are rarely sold as stand alone services, but rather are bundled with multi-pay packages. Therefore, estimates as to how much the smaller services can charge vary greatly, but it can be assumed that these secondary services rarely get more than $1.50 or $2 per subscriber.

In the EMTS survey, less than one-half of the pay subscribers are happy with the number of films and the number of repeats carried on their service each month. Only 52 percent feel they are

receiving fair value for their monthly fee. Yet, despite fairly large-scale dissatisfaction, more than 90 percent of the pay subsribers report they will continue their pay service.

The single most important reason for taking pay is to view films without commercials (according to 83 percent of the EMTS respondents). Yet, if commercials were to appear on their pay channel, only about 20 percent would cancel their service. It can be concluded that films are the most important reason for taking a pay service, and that most pay subscribers would accept commercials, as long as the films remained relatively free of them.

The pattern revealed in the EMTS study parallels other studies quite closely, suggesting that the pay subscriber is a devoted fan of cable television, especially of film. The subscriber will tolerate a great deal in the way of repeats and will not be daunted by the limited number of new films per month. Like the basic subscriber, the pay subscriber likes the number of programming choices available, and the shortcomings of the industry will be tolerated until something better appears.

## V. HOW WILL CABLE PROGRAM SERVICES SURVIVE?

Given the large number of programming services currently available on cable--in the neighborhood of 15 to 20 non-premium services, about 10 national pay services and perhaps 15 regional pay services--it is apparent that not all can survive the 1980s.

Some observers would argue that programming strategy for cable services appears at the crossroads. One school of theorists argues that cable services should essentially follow the commercial radio model and develop narrow or even splintercasting services like MTV. This school argues that a narrowly-programmed, 24-hour-a-day service would condition audiences' expectations just like a radio station does. The emphasis, here, is not on a large audience at any one time, but rather on a large number of people sampling the channel throughout the week or month.

Another school feels that in order for advertiser-supported program services to survive, they must generate larger audiences than those garnered in a narrowcasting model, which follows, for lack of a better term, a magazine format. The service programs a variety of programs, each attracting a unique audience that builds reach (cume), but with some common thread that unites the service (e.g., USA).

A. The Non-premium Channels

The non-premium cable program services have only a limited number of financial avenues in which to generate income. The cable services carrying advertising have had a difficult evolution. As a rule, the pricing for any mass medium that accepts advertising requires that someone split the cost with the advertiser. This is the case for newspapers and most magazines, where the subscriber absorbs a portion of the cost. The cost for commercial television and radio advertising is passed on to the consumer, who pays more for the product.

The early cable program entrepreneurs found that their assumptions that advertising would support their services were misguided. Cable audiences were too small to generate sufficient advertising income, given the conventional cost per thousand viewer formulas used by advertising agencies.

Robert Wussler of Turner Communication feels that a national program service must deliver a two rating to survive. At present, that means during an average minute, a program service must attract about 17 million homes. In this range, the service could charge about $3 per 1,000 homes (or $3 CPM) and gross about $125 to 150 million a year. At present, only WTBS is able to deliver cable audiences of this size with any regularity; occasionally other services, such as ESPN or CNN, deliver audiences of this magnitude.

Raymond Joslin, general manager of Hearst Cable Communication (ARTS and DAYTIME), feels that only five non-premium cable networks or channels will survive the 1980s, assuming that the five services have sufficient system carriage and parsimoniously produce and schedule quality programming. The number of surviving channels is set at five because the total national share that non-premium channels can realistically expect to reach is about 10 percent.

The audience for any service has to be sufficiently large to attract the advertiser of mass consumption products. Certainly there are advertisers for quality products (e.g., imported German autos or California wine) who are interested in reaching only their potential customers. The problem for cable services is that other media, such as magazines, can also efficiently reach these same customers. So, given a limited number of quality product advertisers with a small pool of potential monies, specialty cable services will be forced to price their commercial time far cheaper than they first thought.

The end result is that the newer cable program services face two dilemmas: first, they must keep their program costs low and still maintain a professional program look; and, second, they must be able to persuade cable systems to carry their service. With about 40 percent of all cable systems having 12 or fewer channels, and with most of the programming services now charging the cable

operator a fee, channel access is no longer automatic. For the newer services, the lack of carriage is a severe problem. As a result, some of these services have been forced to merge (as did DAYTIME and THE CABLE HEALTH NETWORK recently), or, some may be forced to go out of business, as did CBS CABLE.

MTV is perhaps the best example of a narrowcast service that is literally programmed like a radio station. Already, the service has had profound impact on the popular music scene by introducing new rock groups who were unable to get play time on commerical FM radio stations. The service is popular with teens and the 18 to 24-year-old age group, and it is appreciated by cable operators because these age groups tend to be hard groups to which to sell cable subscriptions. When it was first introduced, MTV was a free service; however, advertising revenues have not met projected levels and MTV will begin to charge cable operators about 10 cents per subscriber.

From current estimates, none of the non-pay cable program services will have made a profit by 1984, even with the services collecting carriage fees from the cable operators. For example, ESPN projects 1985 as the year it expects to generate a profit, some six years after it came into existence. This is because ESPN has discovered that the male sports audience is not large enough to generate sufficient ad revenues. While the service is now found on most cable systems and has a potential audience of 22 million homes,

the actual viewing audience is not as large as hoped. Taped sports events, like Canadian and college football games, have not generated large enough audiences. Live football does well in terms of audience. Dana Redman, ESPN's vice president for research, noted recently that 70 percent of ESPN viewers also take pay cable, "and the ESPN viewer may not get control of the set until prime time," when live events are telecast. The male family member could watch ESPN on the second set, if it were hooked up, but as previously mentioned, recent studies suggest that less than 30 percent of the cable homes have the second set connected to cable.

USA recently passed a significant milestone; it is now potentially viewable in 15 percent of the Nielsen metered American homes. This means that the service joins HBO, ESPN, WTBS, CNN and CBN (the repositioned CHRISTIAN BROADCASTING NETWORK) in the elite group of cable services that are ratable by Nielsen. MTV is expected to attain the 15 percent level in 1983.

Still, being potentially viewable and actually being viewed are different matters. USA is presently striving to broaden its audience appeal, recognizing that there probably is not enough audience for sports--given ESPN, regional sports networks (pay and broadcast) and, of course, all of the sports on the imported cable independents.

So, among these programming services, who will survive? If MTV

survives, then the proponents of the narrowcast approach may feel vindicated. But given the audience size of the service and the reluctance of the advertising community to place cable ads at present, it may well be 1986 or 1987 before the issue of survivability is decided.

Among services which apppeal to the broader audiences, ESPN and USA could survive, along with CBN. The Christian Broadcasting Network, which takes advertising, perhaps requires lower profit levels for survival than the other services.

Among the Hearst/ABC services (ARTS, DAYTIME and now the HEALTH NETWORK), cable observers suggest that probably none will survive in current program format. Presently, ARTS has engaged in protracted discussions with the British Broadcasting Corporation to acquire the American rights for programming that had been initially purchased by THE ENTERTAINMENT CHANNEL, a pay service which failed soon after its launch. If ARTS is successful in obtaining those rights, then the service will have to expand its current format from just cultural programming to include more popular drama and film.

Only one of the news channels should survive. Whether the Satellite News Channel, owned jointly by Westinghouse and ABC, or Ted Turner's CNN survive depends on how long the services can endure deficit financing. There is a strong possibility that the two services may merge.

A number of other program services will continue to exist, especially among religious channels. However, most of these services do not exist to make a profit, but rather to proselytize a particular point of view. So, by 1990, perhaps five or so services may be making a profit, but there will be other program services in existence, also.

B. The Premium Channels

Only two or, at best, three national premium channels are expected to survive the 1990s. HBO so dominates the field that it is a foregone conclusion that this service will continue to prosper and, perhaps, influence Hollywood's feature film making.

SHOWTIME has recently become profitable for its owner, VIACOM. THE MOVIE CHANNEL has recently merged with SHOWTIME.

Both HBO and SHOWTIME are committed to broadening their audience bases, since there are relatively few attractive movies available each month. While movies will continue to be the key attractor for these channels, by 1990 these pay channels may look quite a bit like a commercial network broadcast service, with broad appealing drama and comedy series, along with music and sports specials. Some observers feel that the pay channels will eventually take advertising to help defray costs and improve cash flow. That

remains to be seen.

In 1983 the DISNEY CHANNEL was launched, but it is too early to tell about the channel's prospects for success.

There are a number of smaller pay services that will also struggle to survive the 1980s. Some are narrow in appeal (PLAYBOY CHANNEL) and others are interesting hybrids with regional appeal (e.g., PRISM, with its mix of current films and Philadelphia live sports events). If the owners of such services are prepared to accept modest profits, then a number of regional sports pay services can be expected to survive the 1980s. However, the PLAYBOY CHANNEL faces severe problems with cable operator acceptance. Since the cable operator must answer to local franchising authorities about the issues of obscenity and pornography, carrying PLAYBOY creates gratuitous problems for many operators. Unless operator acceptance increases dramatically in the next few years, it is doubtful whether the PLAYBOY CHANNEL will survive in its present form.

The only pay cultural service remaining is BRAVO, with about 125,000 subscribers. This service suffers from a severe lack of cable operator acceptance. It is on very few systems and has a limited daily schedule.

Recent changes in BRAVO's schedule suggest that it will play more films--mostly foreign and sub-titled--and contain decreased

amounts of imported high culture. The survival of the service in its present form is questionable. It is expected to be repackaged with another service (e.g., ARTS) to make it more attractive to cable operators.

C. The Failure Of CBS CABLE And THE ENTERTAINMENT CHANNEL

The failure of CBS CABLE and THE ENTERTAINMENT CHANNEL does not offer a clear and unambiguous lesson about a culture channel's ability to succeed as a pay service.

CBS CABLE's demise was attributed by Jack Schneider, formerly of CBS and currently president of Warner Amex Satellite Company, to a "management problem." He noted that CBS CABLE planned to have 60 percent original programming, whereas a service such as ARTS has less than 25 percent. So the first observation was that the service spent too much money and made overly substantial commitments to create programs.

Cable operators were slow to pick up the service, even if it was free. Part of the problem was that CBS CABLE was on the wrong satellite, which meant that some cable operators had to order and install new downlinks. In many instances, by the time the ordered downlink arrived and was installed, the service was cancelled, nine months after it began cablecasting.

Eve Krzyzanowski wrote in the magazine MEDIA PEOPLE that while enduring the cost of starting and maintaining the service, CBS CABLE suffered an additional financial burden because its sales department severely misjudged how much advertisers would pay for commercial time on the service. By the time sales people could readjust their pricing downward and reapproach the agencies, rumors of the service's cancellation were abroad.

What startled many industry observers was the rapidity with which the decision to cancel the service was made by CBS management. Les Brown, editor of CHANNELS, felt that CBS was suffering from negative Wall Street evaluations of the company's profit performance, and the visible losses of CBS CABLE where touted as a case in point. CBS CABLE could have eventually became a pay service or slowly developed as narrowcast service. But that eventuality would have taken years, and CBS was not prepared to wait.

So the demise of CBS CABLE was not so much due to the quality of its programming, which in many instances was excellent, or to viewer acceptance or preference, but rather to (1) the high cost of the service to CBS, (2) reluctant advertisers waiting to see how the service developed, and (3) a problem with cable system access.

THE ENTERTAINMENT CHANNEL died a far more complicated death, but the final stroke came, again, from corporate impatience with a

visible loss-generating service. THE ENTERTAINMENT CHANNEL was positioned as a pay service with a mixture of BBC drama, taped Broadway shows and fine films (some with sub-titles).

Any pay service costs the local cable operator some expense in terms of marketing and staff time (i.e., cost of installing and disconnecting, billing, etc.). As in the case of BRAVO, cable operators are less than enthusiastic about picking up a new pay service that requires considerable expense but promises to generate only a few new subscribers. To many operators, it appeared more prudent to bypass THE ENTERTAINMENT CHANNEL and wait, instead, to spend their time and money selling the DISNEY CHANNEL, which could possibly generate more income than "culture" would.

Further, THE ENTERTAINMENT CHANNEL was launched after the cancellation of CBS CABLE, which had soured some operators on culture channels. The country was also in a recession. THE ENTERTAINMENT CHANNEL could only succeed as a second or third service tiered with other premium channels. Shortly after its introduction, subscriber cancellations rolled in. THE ENTERTAINMENT CHANNEL quickly got the reputation as a service that would generate high churn rates. So, with few systems prepared to carry the service, a recession, the cancellation of CBS CABLE and THE ENTERTAINMENT CHANNEL's own expense, the service's failure was almost predestined; it went out of business in less than six months.

Some tentative lessons can be gleaned from these recent programming efforts. Any service that focuses on high culture (classical ballet, symphonic music and opera) requires access to large numbers of cable subscribers who are older (say over 50, but more likely over 65). This group of viewers constitutes a large segment of these programs' audiences, and many of them are in the larger markets, where cable is not a necessity for reception. Older people are less likely to connect to cable in markets where it is not necessary for commercial network reception. So, the natural audience for high culture is more likely to be found among cable rejectors. (Besides, they can view these programs free on their local public television stations.) Where cable is a necessity, the older viewer can still view cultural programs on the basic service, which usually carries at least one public television station. The older cable subscribers eventually would have found CBS CABLE, but given the demographic necessities of American advertising (principally targeting 25 to 54-year-old women), an increase in the older viewers would not have substantially increased advertising revenues for CBS CABLE.

A pay cultural service, in itself, apparently lacks sufficient attractiveness to entice older viewers to subscribe to cable and pay between $20 and $25 a month to the cable company for something that is readily available over the air. The audience for public television is rather program specific; people view a program or two

and then leave. Today public television has a mosaic of program types that assembles the audience bit by bit. The audience for any one type of program is small, and a cable service that focuses its programming choices on one or two types is going to have a very small potential pool of subscribers.

THE ENTERTAINMENT CHANNEL provided the best test--a pay culture service broadened with drama and fine films, along with some taped Broadway plays. But, as some researchers have noted, the potential pool of cultural viewers is perhaps, at best, eight percent of all households--or about seven to eight million homes. Given an above average charge of $10 to $15 per subscriber (with half or more going to the cable operator), the projection of potential income would be in the $40 to $50 million range, hardly enough to sustain a service. So, one scenario would see a pay cultural channel taking advertising and charging the subscriber a modest monthly fee. Such a service could, under some circumstances, generate a gross income of about $150 million.

The two cultural services that disappeared provided only ambiguous case studies of the potential for cultural services on cable. The key to any successful service will require extensive cable carriage, clever positioning in multi-tiered pay packages and a corporate commitment to absorb large losses for at least a five-year pericd after introduction.

## VI. PUBLIC TELEVISION'S SURVIVAL IN A CABLED NATION

Some experts feel that between 60 and 70 percent of all American homes will be on cable by the end of the decade. It is possible that some new developments in direct broadcast satellites (DBS) might be able to stunt cable's growth, but this wouldn't change the general environment for public television very drastically. By 1990, nearly three-fourths of American households may pay to receive additional programming choices, regardless of how they are delivered (e.g., microwave services, direct broadcast satellite, cable or subscription television).

The people who will reject these newer delivery systems will be older citizens. Efforts to develop a cable program service for people over 50 have failed for a number of reasons, and no one foresees such a service being successfully created. There are really few reasons for older viewers to sign up for cable or DBS services, since they are not interested in the films, and there is little else on cable that is not available in the larger television markets, where seven or more over-the-air channels compete for audiences.

But households headed by 25 to 54-year-old individuals are good candidates for cable. In a recent study by CBS, it was noted that the 18 to 24-year-olds and 55-plus groups will decline by about eight million people by the end of the decade, while the 25 to

54-year-old group will grow by 21 million.

The principal purpose of a recent CBS study was to assert that the networks were not losing their key audience (25 to 54-year-olds, which used to be the 18 to 49-year-olds before the greying of America set in). CBS admitted that it had lost audience in all age groups, but the heaviest loss to the networks was in the 18 to 24 and 55-plus age groups. So, CBS argued that its losses were not great among key age groups (25 to 54).

But the audience had to go somewhere, however one labels the losses. CBS argues that the losses were due to increased programming choices. One of the primary reasons was the dramatic increase in the number of new commercial independent television stations coming on the air in markets of all sizes--about 56 new stations between 1980 and 1982. And, of course, cable's wiring of new neighborhoods in the larger markets made pay cable available to many new homes.

But while this increase in programming choices drained away some of the networks' audiences, public television's audiences have increased. This has not been a result of any new major market public television stations coming on the air. According to one portion of the CBS analysis, the stations with the largest gain in audience viewing share between 1980 and 1982 were public television stations, not independents either old or new.

America's population is geographically concentrated in large urban areas. About 31 percent of all American households are located in the top 10 markets. Among those markets, four of the 10 major public television stations are UHF channels. While cable penetration varies dramatically in each of these markets, there is little doubt that by wiring the suburbs of these urban areas, cable has helped the UHF stations by giving them a form of signal parity on the cable. But until cable is a significant factor in such top 10 markets as Los Angeles, Detroit, Washington and Cleveland, public television still will have problems reaching parity in terms of an accessible signal in all neighborhoods.

Unquestionably, public television's audience growth in the last few years has been helped, in part, by signal parity offered by cable. But some of the audience growth also came from more attractive programming, along with the aging of the American population. One-third of the current adult population in America was born between 1946 and 1964. This population, labeled the baby boomers, is large and gradually aging, with many now entering their 30s. They are well educated, and, as they age, they will return to the television viewing audience. Clearly, this generation watches its share of public television. So cable television and an aging population will help public television's audience grow. But cable television will also create problems for public broadcasting.

A. A Maturing Cable Industry

Eventually, the time will come when there is little or no cable to string, either because it is not economical to wire an area or there are no more neighborhoods to wire. The newer services, such as DBS, will eventually reach the same plateau. Experts vary in their estimates of just when that time will arrive, but most new delivery systems must, in the natural course of events, reach some kind of availability plateau. When that occurs, perhaps about 1990, then the cable industry will focus most of its efforts into maintaining subscriber bases. Already, national surveys such as the Benton and Bowes study indicate that interest in basic cable is leveling off.

However, the interest in pay cable has not yet plateaued, and it should continue to grow. Yet to be determined is the impact of increased competition on HBO national ratings and shares. In 1983 HBO's ratings declined. The reasons offered for the decline vary, given the industry spokesperson. It appears likely that as the novelty of pay cable abates, the home spends less time with the service. It is still sampled almost everyday, but the residents of the household have watched the films that interest them, even those in repeat cycles. This does not mean that pay subscriptions will be dropped; it merely means that the service will not be viewed as often.

So, the history of cable television in many ways resembles the history of broadcast television. Television differs from most of the newer technologies in that it is consumer driven: The consumer wants to watch television and is prepared to buy a television set or subscribe to cable. The consumer will tolerate a great deal of discomfort in the form of program repeats or snowy pictures. In a sense, all that the cable television industry did was get on the bandwagon. The recent developments in the cable industry have demonstrated that Americans will pay to receive more programming choices.

B. Cable Television's Negative Impact On Public Television

It has already been noted that cable increases the sampling of public television. The negative side of this phenomenon is that public television viewers in premium cable homes view fewer public television programs, and it is now becoming apparent that cable homes are less likely to contribute to public television during festivals and auctions.

While various studies differ on the size of the impact, EMTS survey estimates are representative of the findings presented in Table VI-1.

TABLE VI-1

PERCENT CONTRIBUTING TO PUBLIC TELEVISION
BY HOUSEHOLD CABLE STATUS

| | EVER GAVE | LAST 12 MONTHS | PERCENT GIVING $50 OR MORE |
|---|---|---|---|
| NON-CABLE | | | |
| NO ACCESS | 33% | 12% | 14% |
| REJECTORS | 34 | 14 | 10 |
| CABLE | | | |
| BASIC | 19 | 9 | 23 |
| PAY | 20 | 11 | 20 |

Source: EMTS, November 1982

For the total sample, 29 percent of all television households contributed to public television sometime in the past, while 13 percent gave in the last 12 months. Cable homes are less likely to contribute to public television than are non-cable households. However, when last year's contribution levels are split into less than $50 and $50 or more, cable subscribers are more apt to contribute $50 or more. About 12 percent of the non-cable homes who contributed gave more than $50, while 21 percent did so in cable homes. Note that basic homes are a bit more apt to give $50 contributions than pay homes.

Table VI-2 displays how various kinds of households made their contributions. (The percentages add to more than 100 percent because multiple responses were permitted.)

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TABLE VI-2

HOW PUBLIC TELEVISION CONTRIBUTIONS
WERE MADE IN THE LAST 12 MONTHS

| | CABLE | | NON-CABLE | |
|---|---|---|---|---|
| | BASIC | PAY | REJECTORS | NO ACCESS |
| TELEPHONE PLEDGE | 48% | 50% | 59% | 48% |
| MAIL RENEWAL NOTICE | 55 | 50 | 35 | 39 |
| TV AUCTION | 6 | 10 | 8 | 12 |

Source: EMTS, November 1982

Cable homes are more apt to respond to mailed renewal notices than are the non-cable homes. Given the conditioning of paying a monthly cable bill, the fact that cable households are more apt to respond to renewal notices is interesting, but not surprising.

All things considered, though, it appears likely that public television's requests for contributions are currently working against two quite powerful constraints. The first is one that economists refer to as the principle of relative consistency. Economic studies reveal that expenditures for leisure activities (attending films, purchasing magazines, etc.) remain constant in the average household. Money is merely shifted from one activity to another; rarely does the percentage of a household income spent on leisure actually increase. So if a household has recently added a yearly cable bill of $240 to its expenses, it is reasonable to

assume that some adjustments will be made in other household leisure expenses.

For public television, the problem is that cable subscriber growth has been occurring during the last two years among traditional membership strongholds (major market suburbs and well-to-do neighborhoods). Presently, the cable industry estimates about 1.2 million new subscribers have signed up for cable in the last year alone. One explanation for the recent difficulties in meeting membership goals may be that many homes currently signing up for cable are also likely to be public television viewers and, perhaps, even public television members. Some of these new cable homes are no doubt adjusting their leisure expenses to absorb new cable bills. Hence, some of these households would allow their public television membership to lapse to adjust for their new cable expenses.

Another factor may be that some cable subscribers believe that a portion of their cable bill is passed on to their public television station, just as a part of their monthly payment is passed on to the premium channel. Whether this assumption influences their membership status remains to be seen.

The second constraint involves how cable viewers use their television sets. A number of studies (e.g., Television Audience Assessment studies) suggest that cable viewers are inclined to be

fickle in terms of program loyalty. This is because many subscribers also rent tuning pads for their television set from the cable company. Like remote tuners, the pads allow the viewer to quickly change channels. So commercials and, perhaps, public television pledge breaks suffer a loss of viewers because of the relative ease in changing channels. One need not tolerate program interruptions or long pledge breaks. Also, since cable homes view more channels, they spend fewer minutes with public television, which translates into fewer opportunities to be reached by membership requests.

Table VI-3 compares the distribution of the public television audience and the distribution of viewers that contributed in the last year.

TABLE VI-3

COMPARISON OF THE DISTRIBUTIONS FOR THE PUBLIC TELEVISION AUDIENCE AND THOSE HOUSEHOLDS WHO CONTRIBUTED IN THE LAST YEAR

| | PERCENT OF PTV AUDIENCE * | LAST YEAR CONTRIBUTOR |
|---|---|---|
| NON-CABLE | 64% | 71% |
| NO ACCESS | 35 | 34 |
| REJECTORS | 27 | 35 |
| CABLE | 36 | 29 |
| BASIC | 15 | 11 |
| PAY | 21 | 15 |

* Viewed in last seven days.

Source: EMTS, November 1982

One of the best predicators of whether a family will contribute to public broadcasting is if that family has viewed public television in the last seven days. Comparing the percentage of cable homes viewing public television and their percentage in the contributing distribution, it is evident that there are seven percentage points difference (36 minus 29).

In the EMTS data, that amounts to about 771,000 cable homes not contributing at their potential level. That is, if public television viewing cable homes contributed in the same proportion to their weekly audience levels, then an additional 771,000 cable homes should have contributed to public television. If one assumes that an average contribution is $35, then the missing cable homes in the membership category are costing public television from $26 to $27

million a year. And most of that shortfall comes from pay cable homes. Some of the difference, however, is being made up by homes that are cable rejectors, since they give in larger proportion than their distribution in the weekly public television audience.

It is still debatable just how much the recent growth in cable subscription is costing public television in terms of lost membership dollars. What is clear is that cable households, especially pay cable homes, are less likely to give to public television. In another study being performed by PBS's development office that tracks a sample of members, it was found that the least likely household to renew its membership was a pay cable household (61 percent), followed by a basic household (71 percent) and a non-cable home (73 percent). So cable television creates two problems. First, the pay cable homes are less likely to become members initially, and, second, if a pay home is recruited, it is less likely to renew its membership.

This suggests that public television development directors are going to have to develop new strategies to attract members in cable homes. The more popular programs for these pay homes are dramas and science and nature programs. The EMTS data reveal, as expected, that cable homes view fewer types of programs in comparison to non-cable homes.

For example, culture programs are more popular in homes that

have rejected cable, suggesting that these households are older, are in larger urban markets and are able to view public television over the air. A successful pledge break around a cultural program such as an opera probably means that the public television station has not reached many cable homes.

Just as the cumulative audience for public television builds, given the variety of program types in the schedule, programs in a festival schedule accumulate audiences in a similar manner. If, however, programs for a pledge festival are selected on the principle that they did well last year or the year before, without regard to which kinds of cable homes the programs usually attract, it is possible that some cable homes will never be reached during the pledge period. Missing cable homes may be important because, as the EMTS data suggest, when a cable home becomes a public television station member, residents in that home are more likely to give more than $50 than are non-cable home occupants.

Some conclusions to be drawn from these studies are on the positive side: Public television will not be deserted by cable subscribers; they will continue to view public television. However, they will view fewer minutes on public television and are less likely to become public television members. If they give, they are likely to give more than non-cable viewers. It should be noted, however, that data about cable television's impact on public television membership, is at this time more circumstantial than

rigorously scientific. What is clear is that cable homes are less likely to give money to public television. The problem for future studies is to discern the reasons, in some detail, why cable homes are less likely to contribute to public television and, then, to explore possible methods for rectifying the situation.

## VII. A BRIEF SUMMARY AND SOME SUGGESTIONS

While Nielsen estimates that 96 percent of the country has access to a public television signal, only 87 percent of the EMTS respondents said that public television was available to them. Eventually, however, the question of signal availability will be moot. Certainly, it would be helpful to public television to have VHF signals in the major markets; lacking this, cable carriage should help UHF public television stations in some of these markets. Even at present, public television has significant signal availability; unlike cable, it does not have insurmountable hurdles to face in terms of extending service.

However, public television, like cable television, is still seeking its maximum penetration level. Public television has not recruited all of the viewers that it theoretically can reach. While expert opinions vary, many media observers feel that by 1990 public television may be viewed by 70 to 75 percent of all households and should have a prime time weekly penetration figure close to 50 percent. Certainly, some areas or markets will have higher public television penetration levels than others.

But to this point, the available data suggest that recent public television audience gains have come essentially from increased popularity of its programming, not because of major technical improvements in reception.

Public television has accomplished the feat of extending its reach through its growing variety of programs -- among them COSMOS, NATURE, BRIDESHEAD REVISITED and, of course, the NATIONAL GEOGRAPHIC SPECIALS. Growing sophistication in program acquisition and in scheduling, both by PBS and local stations, has helped develop audiences; the gains have come from serving many publics with many kinds or types of programs.

A. Exploiting The Strengths Of Public Television

A major strength of public television is that it is not a narrowcast service. The history of recent cultural cable services suggests that focusing on only one kind of programming may have detrimental effects on the potential reach of the service. Commercial network stations maximize their audiences by scheduling a fairly specific range of mass appeal programming. Commercial independents focus on a mixture of off-network syndicated series, sports and, of course, movies. Together, these commercial stations continue to attract most of the viewers; but as both cable and public television have demonstrated, there is a place for programming that offers the viewer other choices.

The data from a variety of polls show that the public highly values the programming services offered by public television. In one recent ELRA poll of cable subscribers, respondents reported that

public television was the most satisfying of some 15 cable programming services. In the same poll, however, when asked which was the most valuable of the channels available to them, subscribers ranked public television ninth -- after HBO, CBS (network), SHOWTIME, THE MOVIE CHANNEL, ABC, ESPN, NBC and WTBS. ARTS came in 17th out of 19 services rated.

When respondents were asked how much of a cable bill they would spend to receive PBS or ARTS, the figures were $8.28 and $11.71, respectively. Per 1,000 subscribers (VPM), PBS would generate $646, and ARTS practically nothing, because there are so few viewers. By contrast, HBO would generate $2,824.

Cable television, through its apparent capacity to reduce the number of homes contributing to public television, poses a possible financial threat. At present, only one out of 10 homes and two out of 10 viewers contribute to public television. Early evidence suggests that without creative new efforts from development personnel, cable television could impact memberships further.

Yet, recent preliminary studies such as the one done by ELRA indicate that there exists, among some cable subscribers, a reservoir of good will and a willingness to pay for public television service. Strategies must be developed to translate this willingness to support the service into a predictable income source for the stations.

B. Rejectors Of The New Technologies

By 1990, there will be about 100 million households in the United States. Fifteen to 18 million households will not subscribe to the new delivery systems, (among them, the poor, the elderly and the disinterested).

Does public broadcasting have an obligation to serve these unserved audiences? If the answer is yes, what are the kinds of public television programs and series required or needed by these millions of homes? There is practically no information about what these people might watch on public television. This could be resolved, perhaps, by future studies.

C. Keeping The Mandate Broad

It is now apparent that recent public television death notices were premature.

There is always the danger that some in government, both in the legislative and administrative branches, may seek to narrow the focus of the public television program service by law or regulatory mandate. Public television's strength, whether by accident or design, has been its recent ability to serve many publics, not just those who are interested exclusively in culture, public affairs or

children's programming. Science programs and documentaries about American enterprise, nature and foreign policy have bona fide public television audiences as well.

As newer forms of technology come on line -- improved and more inexpensive videotape recorders, teletext services, home computers or other technologies -- public television will survive and, quite possibly, prosper. In fact, research indicates that individuals in the public television audience will be the first to purchase these new devices and services. It is doubtful that any of these new services will affect the penetration, or reach, of public television, although any service that requires user time may reduce the total amount of time spent with television. We have already seen that more choices mean less time with individual program services, and that will render the public television programmer's job a bit more difficult. But if cable has proven anything, it is that public television is capable of meeting the challenge to attract and maintain its audiences.

# APPENDIX A

# *Upscale, Downscale: PTV's demographics*

## Viewers differ from population by only a few percentage points

*By Dale Rhodes*

It is particularly ironic that public television is now enjoying its widest viewership amidst its most serious financial crisis. As the Administration and Congress reduce the federal appropriations for public broadcasting, it appears that PTV's enormous audience support has not generated effective political support—at least not at the national level, at least not yet.

For a broadcasting service dependent on its audience for both political and economic support, public television is fortunate. Its audience has the best of both worlds—a demographic makeup representative of the nation as a whole, as well as a high penetration among upscale households.

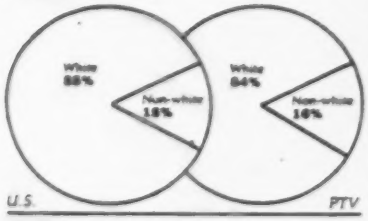
The latter characteristic, the one that most people understand, leads to the (specious) charge of "elitism"—y that PTV is the province of the rich and powerful, and that government support is really welfare for the wealthy. The question becomes: why should tax dollars support a service the rich are perfectly able to afford and the new technologies eager to provide? Why indeed. As this article will show, public television is not elitist, but rather one of the most widely used national institutions in America and its audience virtually mirrors the diversity of the country's population.

During an average week in the television season (October through May), over 50 percent of the nation's television households watch PTV. In a week in January 1982, *for example*, 56.8 percent of all television households (or 46,290,000 households) viewed public TV and did so for an average of nearly four hours in the week. By definition, then, PTV is a *majority* service.

**Comparisons from January:** And when the distribution of this large audience is examined, the PTV audience looks remarkably like the population of the United States. The most graphic way of making this point is by using the charts on this page. They show the race, education, occupation and income characteristics of all U.S. TV households compared to those of the weekly PTV audience. All data come from the Nielsen Television Index for the week of Jan. 11-17, 1982.

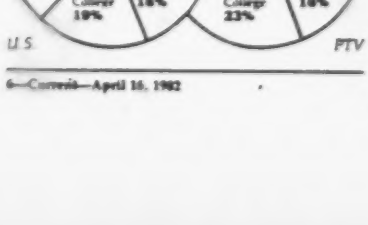
**First, race:** Figure 1 shows the PTV audience is slightly more non-white than the U.S. population.

*Figure 1*
**Distribution by race**




In Figure 2, the educational level of the head of the house is displayed. The greatest difference between the audience and the population, for any category, is only 4 percentage points.

*Figure 2*
**Distribution by education**



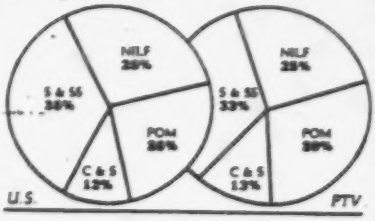



# WHO'S OUT THERE?

**Second in a series about public broadcasting's audiences.**

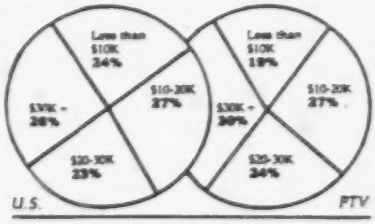
In Figure 3, the occupational variable is shown for "POM" (professional, owner, managerial); clerical and sales; skilled and semi-skilled, and "NILF" (not in the labor force, which include both the retired and the unemployed). Again, the largest difference between the U.S. population and the PTV audience in any category is 4 percent.

*Figure 3*
**Distribution by occupation**




**Finally, here is the distribution of households by income:**

*Figure 4*
**Distribution by income**




The important thing about all of these comparisons is how closely the PTV audience mirrors the U.S. population. The match isn't exact, of course, but it is very close indeed. I am at a loss to think of many other national institutions or activities which would be used by such a wide spectrum and large number of Americans. Public television has become a staple of American life and has successfully integrated itself into the fabric of society to a degree not well understood by national policy-makers. Given the enormous size, diversity and dedication of the PTV audience (3 million families now give money to their local PTV station), it would be surprising if legislators didn't eventually get the message.

**Similar politics, too:** In addition to the Nielsen numbers, there are other audience figures along less traditional lines which are very illuminating and may well be harbingers of a change in national policy. The following data come from the widely respected Roper Reports for 1980. Ten percent of PTV viewers identify themselves as politically and socially "very conservative." Only 4 percent claim to be "very liberal." Thirty-four percent of PTV viewers claim to be "moderately conservative" and another 36 percent describe themselves as "middle of the road." This leave only 17 percent of PTV viewers as "moderately liberal."

Again, these figures are remarkably close to the nation as a whole with the greatest discrepancy in any category being only 3 percent (the PTV audience is 3 percent more "moderately conservative" than the population at large).

Whatever happened to that left-wing institution the Nixon crowd tried so desperately to torpedo? I submit that it never existed; it certainly does not today.

**Big chunk of a little about:** If the PTV audience is so much like the general public, how can it also have such high penetrations into upscale categories? First, it is necessary to understand that those groups at the top of the ladder represent a *small* percentage of the population. For example, only 19 percent of all households in the nation are headed by a person with a college degree or better. But public television's reach or penetration into this top educational category is nearly 70 percent. The reach of PTV into these upscale categories is counter-balanced by their relatively small actual numbers.

In our zeal to attract corporate underwriters, we have understandably emphasized those "quality demographics." But the total picture is a much larger one, as we have just seen.

The fact that upscale viewers are attracted to high-quality television should come as no surprise. But the totally inaccurate and unconscionably arrogant assumption that high-quality television is of interest only to society's upper strata is snobbism of the worst sort. Examples disproving that thesis abound.

Let me choose just one case, the *Live from the Met* broadcast of "Rigoletto" on December 16, 1981. The program was watched in nearly 5 million households—in itself a remarkable audience for grand opera.

But it is the audience's composition that stands the elitism charge on its head. Thirty-eight percent of the viewing households earned less than $15,000 per year—20 percent earned less than $10,000! Those viewers probably weren't dressed in pearls and fur, sipping champagne in front of the tube, while Pavarotti sang his heart out. It is unlikely that many of them would ever have the opportunity, let alone the money, to attend the Met. Forty-seven percent of the audience had never attended college (31 percent were college graduates).

**Elitism canard:** The conclusion is unmistakable: opera (and by inference, art in general) is not the sole province of the rich and powerful. Public television irreplaceably fills a role in our nation by making available the best in art and culture to everyone—not only to those who could afford attending a live performance or purchasing expensive home video technology.

Like free education and universal suffrage, public broadcasting has a crucial part to play in our national life. Curiously, it is precisely this elitism canard with all of its anti-democratic baggage which seems to have most influenced some elected officials and has brought public television to the brink of financial disaster.

The hunger for public television programming continues to grow at a spectacular rate. The audience in prime time has grown by a dramatic 85 percent since 1978, the full day audience has increased by 48 percent during the same period and new audience records continue to be set this season. Cultural programming (in the sense of high art) doesn't single-handedly contribute to PTV's full house. Science, public affairs and children's programs, among others, are also part of the mix. No single cable channel (or clutch of channels for that matter) or video discs or contemplated direct broadcast satellite system can come close to the current fare already available on public television—and available at a cost far less per capita than in any other developed nation on earth.

**More than Reagan's voters plus Carter's:** Two findings in particular give me hope that the current federal policy of starving the life out of public broadcasting will change. First, 90 million Americans watch public television every week; that is more people than voted in the last Presidential election. Second, a 1981 Roper Reports survey reveals that PTV viewers are more than twice as politically active as non-viewers. While PTV so far has not been a partisan political issue (and it shouldn't be), the necessary elements of audience size and political activism already exist on such magnitude that national policy inevitably will be affected. Let us hope it is sooner rather than too late.

*The writer, Dale Mark Rhodes, is director of research at PBS where he has worked for seven years. As associate director, he headed the development of the AREAPOP system for audience coverage projections. Previously, he was director of audience services for the University of North Carolina TV Network and, earlier, UNC's Network Duty Operations Officer.*

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# APPENDIX B

TABLE B-1

SATELLITE-FED BASIC CABLE SERVICES THAT ACCEPT ADVERTISING

| SERVICE | NUMBER OF SYSTEMS | NUMBER OF SUBSCRIBERS | TYPE OF SERVICE |
|---|---|---|---|
| ARTS | 1,625 | 10 MILLION | Cultural programming including music, drama, and dance. |
| BET | 201 | 4 MILLION | General entertainment and sports programming for the black audience. |
| CABLE HEALTH NETWORK | 1,067 | 11 MILLION | Programming relating to health and health-related fields. Merged with DAYTIME July, 1983. |
| CBN | 3,892 | 21 MILLION | Range of religious programming and old network programs. |
| CABLE NEWS NETWORK | 3,409 | 20 MILLION | A 24-hour news programming service. |
| CNN HEADLINE | 498 | 4 MILLION | A news headline service including local news elements; companion service to CNN. |
| DAYTIME | 671 | 9 MILLION | Programming for women. |
| ESPN | 5,928 | 23 MILLION | A 24-hour sports network featuring live and taped sports events and sports-related programming. |
| MSN | 471 | 8 MILLION | Educational and consumer-oriented programs; features THE HOME SHOPPING SHOW. |
| MTV | 1,650 | 14 MILLION | Taped concerts and contemporary video music for teens and young adults. |
| NASHVILLE NETWORK | 725 | 8 MILLION | Music service with a country music emphasis. |
| SATELLITE NEWS CHANNEL | 557 | 6 MILLION | A 24-hour news service |
| SPN | 386 | 6 MILLION | Special-interest programming, special women's feature, how-to programs, some international programming (TELEFRANCE). |
| SIN | 215 | 25 MILLION | Spanish-language entertainment and news programming |
| U.S.A. | 3,500 | 18 MILLION | Combination of programming services. Some Madison Square Garden Sports events; CALLIOPE (6:30-7:30 p.m. weeknights and Saturday morning), children's programming; THE ENGLISH CHANNEL, British programming from Granada TV; YOU!, fashion programming and NIGHT FLIGHT, rock music programming. |
| THE WEATHER CHANNEL | 980 | 9 MILLION | A 24-hour weather service including features and localized reports. |
| WGN-TV | 3,976 | 11 MILLION | A Chicago-based independent TV station programming a combination of general entertainment, news, and sports; categorized as a superstation and satellite-fed to cable systems by United Video, Tulsa. |
| WOR-TV | 811 | 5 MILLION | A New York-based independent TV station programming a combination of general entertainment, news, and sports; categorized as a superstation; satellite-fed to cable systems by Eastern Microwave, Syracuse, NY. |
| WTBS | 5,212 | 26 MILLION | An Atlanta-based independent TV station programming a combination of general entertainment, movies and sports; categorized as a superstation, fed by satellite from Atlanta. |

Sources: CABLEFILE/83 and BROADCASTING, May 3, 1982.





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